

**RENO COUNTY EDUCATION COOPERATIVE NO. 610
HUTCHINSON, KANSAS**

**FINANCIAL STATEMENT
JUNE 30, 2014**

BFR

BUSBY FORD & REIMER, LLC

CERTIFIED PUBLIC ACCOUNTANTS

RENO COUNTY EDUCATION COOPERATIVE NO. 610
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JUNE 30, 2014

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BUSBY FORD & REIMER, LLC

CERTIFIED PUBLIC ACCOUNTANTS
INDEPENDENT AUDITORS' REPORT

**Board of Directors
Reno County Education Cooperative No. 610
Hutchinson, Kansas**

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of **Reno County Education Cooperative No. 610, Hutchinson, Kansas**, as of and for the year ended **June 30, 2014** and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1 to meet the financial reporting requirements of the State of Kansas. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Education
Reno County Education Cooperative No. 610

Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

As described in Note 1 of the financial statement, the financial statement is prepared by **Reno County Education Cooperative No. 610, Hutchinson, Kansas**, to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of **Reno County Education Cooperative No. 610, Hutchinson, Kansas**, as of **June 30, 2014**, or changes in financial position and cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of **Reno County Education Cooperative No. 610, Hutchinson, Kansas**, as of **June 30, 2014**, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, combining fund schedule of regulatory basis receipts, expenditures, and unencumbered cash balances-Special Education Funds, (Regulatory-Required Supplementary Information as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement.

**Board of Education
Reno County Education Cooperative No. 610**

The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statement as a whole, on the basis of accounting described in Note 1.

The 2013 Actual column presented in the individual fund schedules of regulatory basis receipts and expenditures-actual and budget and individual fund schedules of regulatory basis receipts and expenditures-actual (as listed in the table of contents) is also presented for comparative analysis and is not a required part of the 2013 basic financial statement upon which we rendered an unmodified opinion dated January 27, 2014. The 2013 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link <http://da.ks.gov/ar/muniserv/>. Such 2013 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2013 basic financial statement. The 2013 comparative information was subjected to the auditing procedures applied in the audit of the 2013 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2013 basic financial statement or to the 2013 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2013 comparative information is fairly stated in all material respects in relation to the 2013 basic financial statement as a whole, on the basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2014, on our consideration of **Reno County Education Cooperative No. 610, Hutchinson, Kansas**' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Reno County Education Cooperative No. 610, Hutchinson, Kansas**' internal control over financial reporting and compliance.

Busby Ford & Reimer, LLC

Busby Ford & Reimer, LLC
December 18, 2014

RENO COUNTY EDUCATION COOPERATIVE NO. 610
SUMMARY OF CASH RECEIPTS, EXPENDITURES,
AND UNENCUMBERED CASH
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

Fund	Beginning Unencumbered Cash Balance	Prior Year Canceled Encumbrances	Cash Receipts	Expenditures	Ending		Ending Cash Balance
					Unencumbered Cash Balance	Encumbrances and Accounts Payable	
Special Purpose Funds							
Professional Development	\$ 0	\$ 188	\$ 6,128	\$ 6,316	\$ 0	\$ 0	\$ 0
Special Education	\$ 1,037,447	\$ 137	\$ 9,011,405	\$ 9,286,134	\$ 762,855	\$ 61,940	\$ 824,795
	<u>\$ 1,037,447</u>	<u>\$ 325</u>	<u>\$ 9,017,533</u>	<u>\$ 9,292,450</u>	<u>\$ 762,855</u>	<u>\$ 61,940</u>	<u>\$ 824,795</u>
Composition of Cash:					Checking and Money Market Accounts		
					<u>\$ 824,795</u>		

The notes to the financial statement are an integral part of this statement.

RENO COUNTY EDUCATION COOPERATIVE NO. 610
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2014

Note 1 - Summary of Significant Accounting Policies:

Financial Reporting Entity

Reno County Education Cooperative No. 610 is a municipal corporation established under State of Kansas statutes. The Cooperative was formed in the mid-1970's and last renewed July 1, 1985 through an agreement of five Kansas Unified School Districts (Nickerson, Fairfield, Pretty Prairie, Haven and Buhler) located in and around Reno County, Kansas to meet special education requirements at the primary and secondary levels. The Cooperative is governed by an elected five member Board of Directors. The Cooperative's financial statement includes all funds over which the Board of Directors exercises financial responsibility. Financial responsibility includes appointment of governing body members, designation of management, the ability to significantly influence operations and accountability for fiscal matters.

KMAAG Regulatory Basis of Presentation Fund Definitions:

Special Purpose Funds-To account for the proceeds of specific receipts (other than major capital projects) that are restricted by law or administrative action to expenditure for specific purposes.

Regulatory Basis of Accounting and Departure from Accounting Principles Generally accepted in the United States of America

The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The Cooperative has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of accounting principles generally accepted in the United States of America and allowing the municipality to use the regulatory basis of accounting.

RENO COUNTY EDUCATION COOPERATIVE NO. 610
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2014

Budget and Assessment Cycle

The Cooperative prepares a budget under the Kansas cash-basis and budget laws to determine assessment to member Cooperatives and other financial planning purposes. Assessments are made in three variable installments in October, January and May.

The Kansas cash-basis and budget laws permit transferring budgeted amounts between line items within an individual fund. However, such laws prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the Cooperative for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

Note 2 - Compensated Absences:

All permanent full-time employees are eligible for vacation and/or sick leave benefits in varying annual amounts depending on position and length of service.

It is the policy of the Cooperative to record vacation and sick leave benefits as expenditures when paid.

Note 3 - Termination Benefits:

The Cooperative has an early retirement plan for certified personnel. Personnel qualify if they have fifteen years of service with the Cooperative, are at least 55 years old and are retired under KPERs. Payments under the plan are paid quarterly until age 65 based on 12% of the annual salary upon retirement by not more than \$6,500 annually. In addition, \$435 per month is contributed toward health insurance of the early retiree if they continue coverage under the Cooperative's group health plan.

It is the policy of the Cooperative to record these benefits as expenditures when paid. Payments were made during the year under the plan to 4 individuals amounting to \$23,896.

Note 4 - Subsequent Events:

The Cooperative has evaluated subsequent events through December 18, 2014, the date which the financial statement was available to be issued.

RENO COUNTY EDUCATION COOPERATIVE NO. 610
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2014

Note 5 - Deposits:

K.S.A. 9-1401 establishes the depositories which may be used by the Government. The statute requires banks eligible to hold the Cooperative's funds have a main or branch bank in the county in which the Cooperative is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Government has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Cooperative's investment of idle funds to time deposits, open accounts and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Cooperative has no investment policy that would further limit its investment choices.

Concentration of credit risk. State statutes place no limit on the amount the Cooperative may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the Government's deposits may be returned to it. State statutes require the Cooperative's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. All deposits were legally secured at June 30, 2014.

At June 30, 2014, the Cooperative's carrying amount of deposits was \$824,795 and the bank balance was \$1,494,763. The bank balance is held by one bank. Of the bank balance, \$250,000 was covered by depository insurance and the remaining \$1,244,763 was collateralized with securities held by the pledging financial institution's agent in the Cooperative's name.

Note 6 - Postemployment Benefits:

As provided by K.S.A. 12-5040, the Cooperative allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in the financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the government makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the government under this program.

RENO COUNTY EDUCATION COOPERATIVE NO. 610
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2014

Note 7 - Defined Benefit Pension Plan:

Plan Description

The Cooperative participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing, multiple-employer, defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S Kansas Ave, Suite 100, Topeka, KS 66603-3869) or by calling 1-888-275-5737

Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at a minimum of 4% of covered salary. Member-employees' contributions are withheld by their employer and paid to KPERS according to the provisions of section 414(h) of the Internal Revenue Code. The State of Kansas is required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate. Kansas contributed 11.12% of covered payroll for the year ended June 30, 2013. These contribution requirements are established by KPERS and are periodically revised. Kansas contributions to KPERS for all Kansas public school employees for the years ending June 30, 2014, 2013 and 2012 were \$361,575,393, \$323,067,803, and \$298,635,383, respectively, equal to the required contributions for each year.

Note 8 - Contingencies:

Grant Programs

The Cooperative participates in various federal and state grant programs. These grant programs are often subject to additional audits by agents of the granting agency, the purpose of which is to ensure compliance with the specific conditions of the grant. Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

Risk Management

The Cooperative is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Cooperative carries commercial insurance for all risks of loss. Settled claims resulting from these risks have not materially exceeded commercial insurance coverage in any of the past three years.

Medicaid Payments

The Cooperative submits reports of time for providing medical services to children with disabilities to a third party. The third party reviews the reports and files claims for Medicaid reimbursement. Medicaid then pays the third party based on Medicaid's determination of allowed payment. The third party retains a percentage of the payment based on an agreement with the Cooperative and remits the remainder approximately monthly for the previous month's claims. Due to adjustments made by both the third party and Medicaid, the actual amount to be received by the Cooperative is undeterminable and has not been recorded. It will be recorded as received.

**REGULATORY REQUIRED
SUPPLEMENTARY INFORMATION**

RENO COUNTY EDUCATION COOPERATIVE NO. 610
SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

Fund	Certified Budget	Adjustment to		Adjustment for		Total Budget for Comparison	Expenditures		Variance - Over (Under)
		Legal Max	Comply with	Qualifying	Budget Credits		Chargeable to Current Year		
Special Purpose Funds									
Professional Development	\$ 25,500	\$ 0	0	0	0	\$ 25,500	\$ 6,316	\$	(19,184)
Special Education	9,979,235	0	0	0	0	9,979,235	9,286,134		(693,101)
	<u>\$ 10,004,735</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>\$ 10,004,735</u>	<u>\$ 9,292,450</u>	<u>\$</u>	<u>(712,285)</u>

RENO COUNTY EDUCATION COOPERATIVE NO. 610
SCHEDULE OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014
(With Comparative Actual Totals for the Prior Year Ended June 30, 2013)

<u>Professional Development Fund</u>	Prior Year	Current Year		Variance -
	Actual	Actual	Budget	Over (Under)
Cash Receipts				
Local Sources	\$ 938	\$ 350	\$ 25,500	\$ (25,150)
Transfers	16,328	5,778	0	5,778
	<u>17,266</u>	<u>6,128</u>	<u>\$ 25,500</u>	<u>\$ (19,372)</u>
Expenditures				
Instruction	4,639	1,357	\$ 0	\$ 1,357
Instruction Support Staff	12,627	4,959	25,500	(20,541)
	<u>17,266</u>	<u>6,316</u>	<u>\$ 25,500</u>	<u>\$ (19,184)</u>
Receipts Over (Under) Expenditures	0	(188)		
Unencumbered Cash, Beginning	0	0		
Prior Year Canceled Encumbrances	<u>0</u>	<u>188</u>		
Unencumbered Cash, Ending	<u>\$ 0</u>	<u>\$ 0</u>		

RENO COUNTY EDUCATION COOPERATIVE NO. 610
SCHEDULE OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014
(With Comparative Actual Totals for the Prior Year Ended June 30, 2013)

<u>Special Education Fund</u>	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Local Sources	\$ 7,180,892	\$ 7,397,592	\$ 7,441,900	\$ (44,308)
State Sources	214,752	232,770	240,037	(7,267)
Federal Sources	1,344,330	1,381,043	1,259,852	121,191
	<u>8,739,974</u>	<u>9,011,405</u>	<u>\$ 8,941,789</u>	<u>\$ 69,616</u>
Expenditures				
Instruction	6,071,986	6,252,202	\$ 6,782,213	\$ (530,011)
Student Support Services	2,187,680	2,173,103	2,209,325	(36,222)
Instructional Support Staff	4,023	12,829	0	12,829
General Administration	699,028	714,001	736,115	(22,114)
Operations & Maintenance	50,108	101,553	222,782	(121,229)
Student Transportation Services	10,673	10,837	28,800	(17,963)
Other Supplemental Services	14,842	15,830	0	15,830
Transfers	16,328	5,779	0	5,779
	<u>9,054,668</u>	<u>9,286,134</u>	<u>\$ 9,979,235</u>	<u>\$ (693,101)</u>
Receipts Over (Under) Expenditures	(314,694)	(274,729)		
Unencumbered Cash, Beginning	1,351,741	1,037,447		
Prior Year Canceled Encumbrances	<u>400</u>	<u>137</u>		
Unencumbered Cash, Ending	<u>\$ 1,037,447</u>	<u>\$ 762,855</u>		

RENO COUNTY EDUCATION COOPERATIVE NO. 610
COMBINING SCHEDULE OF CASH RECEIPTS, EXPENDITURES,
AND UNENCUMBERED CASH BALANCES - SPECIAL EDUCATION FUNDS
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

	General	Early Education Center	Early Education Center Reserve	Learning Center	Target Improvement Grant	Combining Adjustments	Total
Cash Receipts							
Local Sources	\$ 4,981,813	\$ 1,858,115	\$ 0	\$ 557,664	\$ 0	\$ 0	\$ 7,397,592
State Sources	0	232,770	0	0	0	0	232,770
Federal Sources	1,304,984	33,511	0	0	42,548	0	1,381,043
Transfers	0	261,346	28,360	99,401	0	(389,107)	0
	<u>6,286,797</u>	<u>2,385,742</u>	<u>28,360</u>	<u>657,065</u>	<u>42,548</u>	<u>(389,107)</u>	<u>9,011,405</u>
Expenditures							
Instruction	4,480,214	1,254,492	0	500,416	17,080	0	6,252,202
Student Support Services	1,285,942	812,325	0	64,316	10,520	0	2,173,103
Instructional Support Staff	335	0	0	0	12,495	0	12,829
General Administration	455,331	178,290	0	79,381	1,000	0	714,001
Operations & Maintenance	53,128	1,458	27,680	19,288	0	0	101,553
Student Transportation Services	8,671	0	0	2,166	0	0	10,837
Other Supplemental Services	0	15,677	0	153	0	0	15,830
Transfers	364,431	29,176	0	1,279	0	(389,107)	5,779
	<u>6,648,051</u>	<u>2,291,417</u>	<u>27,680</u>	<u>666,998</u>	<u>41,095</u>	<u>(389,107)</u>	<u>9,286,134</u>
Receipts Over (Under) Expenditures	(361,254)	94,325	680	(9,933)	1,453	0	(274,729)
Unencumbered Cash, Beginning	787,573	54,331	134,366	61,177	0	0	1,037,447
Prior Year Canceled Encumbrances	<u>127</u>	<u>10</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>137</u>
Unencumbered Cash, Ending	<u>\$ 426,446</u>	<u>\$ 148,666</u>	<u>\$ 135,046</u>	<u>\$ 51,244</u>	<u>\$ 1,453</u>	<u>\$ 0</u>	<u>\$ 762,855</u>

FEDERAL AWARD INFORMATION



BUSBY FORD & REIMER, LLC

CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITORS' REPORT

**Board of Education
Reno County Education Cooperative No. 610
Hutchinson, Kansas**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of **Reno County Education Cooperative No. 610, Hutchinson, Kansas**, as of and for the year ended **June 30, 2014**, and the related notes to the financial statement, which collectively comprise **Reno County Education Cooperative No. 610, Hutchinson, Kansas'** basic financial statement, and have issued our report thereon dated December 18, 2014. In our report, our opinion on the financial statement was unmodified based on the prescribed basis of accounting that demonstrates compliance with the *Kansas Municipal Audit and Accounting Guide* which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered **Reno County Education Cooperative No. 610, Hutchinson, Kansas'** internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of **Reno County Education Cooperative No. 610, Hutchinson, Kansas'** internal control. Accordingly, we do not express an opinion on the effectiveness of **Reno County Education Cooperative No. 610, Hutchinson, Kansas'** internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**Board of Education
Reno County Education Cooperative No. 610**

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Reno County Education Cooperative No. 610, Hutchinson, Kansas'** financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Busby Ford & Reimer, LLC

Busby Ford & Reimer, LLC
December 18, 2014



BUSBY FORD & REIMER, LLC

CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

INDEPENDENT AUDITORS' REPORT

Board of Education

Reno County Education Cooperative No. 610

Hutchinson, Kansas

Report on Compliance for Each Major Federal Program

We have audited **Reno County Education Cooperative No. 610, Hutchinson, Kansas'** compliance with the types of compliance requirements described in the *OMB Circular A-133, Compliance Supplement* that could have a direct and material effect on each of **Reno County Education Cooperative No. 610, Hutchinson, Kansas'** major federal programs for the year ended **June 30, 2014**. **Reno County Education Cooperative No. 610, Hutchinson, Kansas'** major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of **Reno County Education Cooperative No. 610, Hutchinson, Kansas'** major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **Reno County Education Cooperative No. 610, Hutchinson, Kansas'** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of **Reno County Education Cooperative No. 610, Hutchinson, Kansas'** compliance.

**Board of Education
Reno County Education Cooperative No. 610**

Opinion on Each Major Federal Program

In our opinion, **Reno County Education Cooperative No. 610, Hutchinson, Kansas** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended **June 30, 2014**.

Report on Internal Control Over Compliance

Management of **Reno County Education Cooperative No. 610, Hutchinson, Kansas** is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered **Reno County Education Cooperative No. 610, Hutchinson, Kansas'** internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of **Reno County Education Cooperative No. 610, Hutchinson, Kansas'** internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weakness may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Busby Ford & Reimer, LLC

Busby Ford & Reimer, LLC
December 18, 2014

**RENO COUNTY EDUCATION COOPERATIVE NO. 610
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

Grant Title (Passes Through Kansas Department of Education)	Federal CFDA No.	Program Amount	Unencumbered		Receipts	Expenditures	Unencumbered Cash 6-30-14
				Cash 7-1-13			
Department of Education							
Special Education Cluster (IDEA)							
Special Education Grants to States	84.027	\$ 1,016,341	\$	0	\$ 1,016,341	\$ 1,014,888	\$ 1,453
Special Education Preschool Grants	84.173	33,511		0	33,511	33,511	0
		<u>1,049,852</u>		<u>0</u>	<u>1,049,852</u>	<u>1,048,399</u>	<u>1,453</u>
(Passes Through Kansas Department of Social and Rehabilitation Services and Southeast Kansas Education Service Center)							
Department of Health and Human Services							
Medicaid Cluster							
Medical Assistance Program	93.778	331,191		0	331,191	331,191	0
Total Expenditures of Federal Awards		<u>\$ 1,381,043</u>	<u>\$</u>	<u>0</u>	<u>\$ 1,381,043</u>	<u>\$ 1,379,590</u>	<u>\$ 1,453</u>

**RENO COUNTY EDUCATION COOPERATIVE NO. 610
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

Note 1 - Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of **Reno County Education Cooperative No. 610, Hutchinson, Kansas**, and is prepared on the basis of accounting as described in Note 1 of the notes to the financial statement. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

**RENO COUNTY EDUCATION COOPERATIVE NO. 610
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

SUMMARY OF AUDIT RESULTS

1. The independent auditors' report expresses an unmodified opinion on the financial statement of **Reno County Education Cooperative No. 610, Hutchinson, Kansas.**
2. No significant deficiencies or material weaknesses were reported in the Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statement of **Reno County Education Cooperative No. 610, Hutchinson, Kansas,** were disclosed during the audit.
4. No significant deficiencies or material weakness were reported in the Report On Compliance For Each Major Program And Report On Internal Control Over Compliance Required By OMB Circular A-133.
5. The independent auditors' report on compliance for the major federal award programs for **Reno County Education Cooperative No. 610, Hutchinson, Kansas,** expresses an unmodified opinion on all major federal programs.
6. There were no audit findings relative to the major federal award programs for **Reno County Education Cooperative No. 610, Hutchinson, Kansas.**
7. The programs tested as major programs were:

Special Education Cluster (IDEA)-Cluster	
Special Education Grants to States	84.027
Special Education Preschool Grants	84.173
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. **Reno County Education Cooperative No. 610, Hutchinson, Kansas,** was determined not to be a low-risk auditee.

**RENO COUNTY EDUCATION COOPERATIVE NO. 610
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

There are no prior audit findings.